

outbreak of war in Europe. Canada has apparently grown into an industrial power; in reality she is the so far most valuable and most dependent colony of USA capitalism. One might regard the Ottawa Conference of 1932 and the markets of the British Empire, which were to be reserved for its members, as the starting point of a development which is now leading to its American counterpart. The first stage was Premier King's trip in 1936 when, with the assent of Roosevelt, he brought about a tripartite trade agreement among the United States, England, and Canada. Although at the outbreak of war in 1939 there was still a Canadian-American customs tariff, there also existed a large number of Canadian-American economic committees to open up the means of close economic co-operation. American investments in Canadian enterprises amounted to four billion dollars, and Canadian investments in USA enterprises totaled one billion dollars.

After France had been eliminated from the war, Roosevelt and King met in the little town of Ogdensburg in the state of New York and on August 17, 1940, signed a permanent mutual defense agreement and appointed a Canadian-American defense committee. This was the first case of a USA alliance with no time limit and thus the first step toward including Canada in the North American union. The economic agreement concluded between Roosevelt and King on April 20, 1941, at Hyde Park, the President's rural estate, was even more explicit in its aim of organizing the collaboration of all North America.

Since Dunkirk, Canada had become England's supply base. With American aid in tools, coal, and steel, she had hastily built up her own war industry for everything from tanks to planes. She was already 400 millions in the red toward the USA, when the Hyde Park agreement stipulated that both countries were to combine in their war purchases and the development of their war industries in order not to compete with but complement each other.

In contrast to the permanent alliance of Ogdensburg, the Hyde Park agreement con-

tained no stipulations for the postwar period, nor did it touch upon the customs barrier for non-war-essential goods. But all the more vigorously did it push the merger of the war-production plants, which practically dominated the entire economic life. When the United States finally openly entered the war, the last stage of Canadian-American economic integration was reached with the announcement on December 22, 1941, that both countries would pool their raw materials and distribute them in such a way as to achieve the highest possible war production. Another billion dollars' worth of American war orders immediately flowed into the Canadian industry. American coal, oil, steel, cotton, airplane motors went across the practically abolished border, Canadian aluminum, nickel, and finished war material came the other way. Although Canada remained above all the supplier of war material to England, Canadian-American trade rose in 1942 to 2½ billion dollars, an amount corresponding to half the entire world trade of the United States in 1938.

Should the USA one day stop her imports again—an action that is by no means impossible, as all agreements apply only to war production—Canada would be ruined. Since Canada depends economically, for better for worse, on the good will and future economic fluctuations of the United States, the only question that remains is what political price the good neighbor will demand for the stabilization of postwar conditions in Canada. The President can always hide behind Congress, as the prewar customs barriers have, after all, not ceased to exist. It is significant that the Canadian study in *Fortune* mentioned above is placed on the same level with a study on the war economy of the Southern states of the USA, under the motto: both territories—old Canada and the old South—at the two ends of the Mississippi have a unique chance now to adjust their economic life to the great market of the central part of the continent.

Canada can no longer turn back. Through Canada, England has started out on the American path.—C. L., Lisbon.

A NEW TRANS-AMERICAN CANAL?

THE American fear of air attacks on Manhattan and on the Panama Canal is surprisingly great. The Americans believe that these two goals must prove of

special attraction to the enemy for bombing attempts. Experts endeavor in articles so to speak to popularize these worries by painting vivid pictures of the results of such

attacks for their countrymen. In a recent debate on this theme in Congress a Senator declared: "Why shouldn't our opponents attempt such an attack? As far as I am informed, we have taken the necessary precautions in the case of Manhattan and carried out large-scale evacuations of the population to other industrial areas where there is less danger of houses of a hundred floors collapsing and dragging down thousands of people with them. Why don't we take corresponding precautions in the case of the Panama Canal too?"

As regards the threat to Manhattan, the American Government has already issued a regulation according to which no more skyscrapers may be built in the future, as they represent a danger to the safety of their inhabitants. The protection of the Panama Canal, however, appears to be far more difficult. In the course of the war, this water route has grown into one of the biggest worries of the USA. First of all, volcanic influences have in recent months caused several incidents in the Canal Zone which greatly hindered regular traffic. Some fifty years ago, when the plan of a canal was being debated in the USA and those concerned could not make up their minds whether to decide for the construction of the Panama or Nicaragua canal, a member of Congress handed around a Nicaraguan stamp depicting three volcanoes to prove the difficulties from which the construction of a Nicaragua canal would have to suffer. Today American experts are aware of the fact that the volcanic influences in the Panama Canal Zone are even greater, and they feel sorry that the Nicaragua canal was not built. To this must be added that the Nicaragua canal would allegedly be far easier to defend against attacks from the air, as it would be much closer to the United States and, moreover, would not require the numerous locks which make the Panama Canal so vulnerable. Thus a project has come into the limelight which once before agitated the minds of the citizens of the United States.

There are two trends of opinion in the USA today. One propagates the immediate commencement of construction work on the Nicaragua canal. The other is opposed to this and emphasizes the fact that at least fifteen years are required for the completion of the canal. By then the war would long be over, so that one could not count upon the new canal as a detour in case the locks of the Panama Canal were destroyed by air



raids. Moreover, one should ask oneself whether the USA could, in addition to her already tremendous war cost, afford the expenditure involved in such a construction, a construction which is not able to fulfill immediate requirements.

The champions of the new canal, on the other hand, cite the statements of engineers, who are of the opinion that the construction of the Nicaragua canal, although more difficult, would be much cheaper. Moreover, the United States now have the full support of the Nicaraguan Government, which expects an immense economic and communications boom from such a construction. In 1912 the USA already concluded a treaty with Nicaragua which entitles the United States to build the canal at any time. When in 1927 this treaty became the cause of a dispute and the government of Nicaragua declared the treaty void, the USA sent troops to Nicaragua and forced the government to recognize the treaty again. Today Nicaragua is so dependent on the United States that her President sent a congratulatory message to Washington when it became known that the construction was being discussed once more.

When the old project was dug out of the files, some technical details were published which permit interesting comparisons to be made with the construction of the Panama Canal. The route of the planned Nicaragua canal begins at San Juan del Norte and follows the course of the San Juan River to Lake Nicaragua. The river goes through

jungles and mangrove swamps and has an average depth of eight meters. To make it navigable, numerous waterfalls must be overcome; it is hoped, however, that three locks will be sufficient in this case. The surface of Lake Nicaragua is some 34 meters above sea level. It is the only fresh-water body in the world in which sharks and swordfish are to be found. The distance from the western bank of this lake to the Pacific is no more than 18 kilometers. The total length of the canal from the Atlantic to the Pacific would be about 260

kilometers, i.e., three to four times as long as the Panama Canal. The new canal would shorten the sea trip from the West to the East Coast by two days.

The supply of the necessary experts, engineers, and workmen would be a special problem, as they cannot be suddenly withdrawn from the armament industry. It has been suggested that the excavation workers might be brought from Italy, while the engineers would have to be procured from among the European refugees in Mexico and North Africa.—H.J., Madrid.

IS LANCASHIRE DOOMED?

WHILE British commercial and industrial circles agree with the Government in that England will only be able to make good the losses she suffered as a result of the war by increasing her postwar exports at least 50 per cent above the prewar level, experts are aware of the fact that in practice such an increase of exports will meet with the greatest possible difficulties. The chief factors in this respect are, on the one hand, the stagnation—which always means retrogression—of certain British industries in the years after the Great War and, on the other, the rising competition in the new industrial countries and the head start of the old ones. These doubts apply above all to the British cotton industry—and up to 1939, cotton goods headed the list of British exports.

In good years, approximately 80 per cent of Lancashire's cotton products were exported. Even under the most favorable conditions the expansion of home consumption could never make up for the loss of overseas markets. In 1938 the value of the cotton goods exported amounted to no more than half of that of 1928 and one third of that of 1913. It will now be a matter of life and death for Lancashire whether an increase in the export of cotton goods will be possible after the war.

One of the main difficulties facing the industries is the question of labor costs. If the shortage of cotton workers, which will doubtless exist in the first few years after the war, is to be overcome, it is obvious that higher wages must be offered than in prewar times. At the same time a considerable improvement in working conditions

There was a time not long ago when Lancashire, the English county in which Liverpool and Manchester are situated, was the center of the world's cotton-goods production. Since the Great War, Lancashire has been passing through a serious crisis. What are its prospects for the future? The following pages are based on an article by an English economist in close touch with Lancashire's industry published in a recent issue of the "Financial News."

will become necessary. In any case, these measures will have to be carried out on a very wide basis, as a result of which the difficulties in Lancashire's competitive position will increase in the ensuing years. The advantage of other countries resulting from the presence of cheap labor will continue undiminished.

In this connection the question immediately arises of Japan's postwar position. It is to be assumed that the Japanese industry will not only very probably regain its prewar strength, but that even more attention will be paid to the cotton industry as part of the national economy than before the war. The rapid advance of Japan in the former British export markets before the war was, of course, largely a result of the yen devaluation. But there can be no doubt that even without this the Japanese advance would have been very considerable. As regards wages as well as the working and admixture of Indian and American yarns, the Japanese had a notable head start. The fact remains that, especially in the coarsest types of cotton, Japan will compete successfully with the products of Lancashire and that, thanks to the continued development of her technique, she will also penetrate into the British markets with finer cotton goods.